

HOUSE BILL 88 of the First Extraordinary Session  
By Jones U (Shel)

AN ACT to enact the "Tax Reform Law" and to amend Tennessee  
Code Annotated, Title 67.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. The title of this act is, and may be cited as the "Tax Reform Law".

SECTION 2. Tennessee Code Annotated, Title 67, Chapter 6, Part , is amended by deleting in subsection (a) of Sections 67-6-202, 67-6-203, 67-6-205, 67-6-221 the language "six percent (6%)" wherever it appears and by substituting instead the language "four percent (4%)".

Tennessee Code Annotated, Section 67-6-204, is amended by deleting the language "six percent (6%)" wherever it appears in subsections (a) and (c) and by substituting instead the language "four percent (4%)".

SECTION 3. Tennessee Code Annotated, Title 67, Chapter 2, Part 1, is amended by deleting Sections 67-2-101 through 67-2-107 and Section 67-2-119 in their entirety.

SECTION 4. Tennessee Code Annotated, Title 67, Chapter 2, is amended by adding Sections 5 through 9 of this act as new sections, to be appropriately designated:

SECTION 5. As used in this chapter, unless the context otherwise requires:

(1) "Income" means an individual's federal adjusted gross income for the taxable year, which excludes combat pay for certain members of the Armed forces of the United States as provided in § 112 of the Internal Revenue Code, as amended, and with the modifications specified in this chapter.

(2) To the extent excluded from federal adjusted gross income, there shall be added:

(a) Interest, less related expenses to the extent not deducted in determining federal income, on obligations of any state other than Tennessee, or of a political subdivision of any such other state unless created by compact or agreement to which Tennessee is a party;

(b) Interest or dividends, less related expenses to the extent not deducted in determining federal taxable income, on obligations or securities of any authority, commission or instrumentality of the United States, which the laws of the United States exempt from federal income tax but not from state income taxes; and

(c) Unrelated business taxable income as defined by § 512 of the Internal Revenue Code, as amended;

(3) To the extent included in federal adjusted gross income, there shall be subtracted:

(a) Income derived from obligations, or on the sale or exchange of obligations, of the United States and on obligations or securities of any authority, commission or instrumentality of the United States to the extent exempt from state income taxes under the laws of the United States including, but not limited to, stocks, bonds, treasury bills, and treasury notes, but not including interest on refunds of federal taxes, interest on equipment purchase contracts, or interest on other normal business transactions;

(b) Income derived from obligations, or on the sale or exchange of obligations of this statute or of any political subdivision or instrumentality of this state;

(c) Benefits received under Title II of the Social Security Act and other benefits subject to federal income taxation solely pursuant to § 86 of the Internal Revenue Code, as amended;

(c) A deduction equal to the amount used in computing the federal credit allowed under § 22 of the Internal Revenue Code, as amended, by a retiree under age sixty-five who qualified for such retirement on the basis of permanent and total disability and who is a qualified individual as defined in § 22 (b) (2) of the Internal Revenue Code, as amended; however, any

person who claims a subtraction under subdivision (c) of subsection (4) of this section may not also claim a deduction under this subdivision;

(d) The amount of any refund or credit for overpayment of income taxes imposed by the State or any other taxing jurisdiction;

(e) The wages or salaries received by any person for active and inactive service in the National Guard of the State of Tennessee, not to exceed the amount of income derived from thirty-nine (39) calendar days of such service or \$3,000, whichever amount is less; however, only those persons in the ranks of 03 and below shall be entitled to the deductions specified herein; and

(f) Amounts received by an individual, not to exceed \$10,000 in any taxable year, as a reward for information provided to a law-enforcement official or agency, or to a nonprofit corporation created exclusively to assist such perpetrators of crimes. This provision shall not apply to the following: an individual who is an employee of, or under contract with, a law-enforcement agency, a victim or the perpetrator of the crime for which the reward was paid, or any person who is compensated for the investigation of crimes or accidents.

(4) In computing Tennessee taxable income there shall be deducted from federal adjusted gross income:

(a) The amount allowable for itemized deductions for federal income tax purposes where the taxpayer has elected for the taxable year to itemize deductions on his federal return, but reduced by the amount of income taxes imposed by the State or any other taxing jurisdiction and deducted on such federal return; or

(b) A deduction in the amount of \$6,000 for each personal and dependent's exemption allowable to the taxpayer for federal income tax purposes.

(c) An additional deduction of \$6,000 for each blind or aged taxpayer as defined under § 63 (f) of the Internal Revenue Code, as amended. The additional deduction for blind or aged taxpayers allowed under this subsection and the personal exemption allowed to each blind

or aged taxpayers under subsection (b) shall be allowable regardless of whether the taxpayer itemizes deductions for the taxable year for federal income tax purposes.

SECTION 6. A tax is hereby levied in an amount equal to four percent (4%) of the Tennessee taxable income for each taxable year of every individual.

SECTION 7. The tax herein provided for is for state purposes only, and no county or municipality shall have the power to levy the same.

SECTION 8. (a) No tax levied pursuant to this chapter is imposed, nor any return required to be filed by:

(1) A single individual where the Tennessee adjusted gross income for such taxable year is less than \$6,000; or

(2) An individual and spouse if their combined Tennessee adjusted gross income for such taxable year is less than \$12,000 (or one-half of such amount in the case of a married individual filing a separate return).

(b) For the purposes of this chapter, "Tennessee adjusted gross income" means federal adjusted gross income for the taxable years with the modifications specified in this chapter.

(c) Persons in the armed forces of the United States stationed on military posts within Tennessee who are not domiciled in Tennessee shall not be held liable to income taxation for compensation received from military service.

SECTION 9. (a) Every person liable for the taxes imposed by this chapter shall, on or before each April 15, make out, on forms prescribed by the Commissioner of Revenue, a return setting out, at minimum, the taxpayers name, current residence, marital status, taxable income, tax due under this chapter.

(b) Any such statement shall be signed and verified by the taxpayer filing said return.

(c) The Commissioner of Revenue has the power to request, on the return set out in subsection (b) all such information from any person filing a return as, in the Commissioner's opinion, may be necessary to effectuate the purposes of this chapter.

SECTION 10. This act shall take effect on July 1, 1999, the public welfare requiring it.